



FINANCIAL MARKETS MONTHLY REPORT

JUNE 2022

Glossary

Abbreviation	Definition	Abbreviation	Definition
bn	Billion	OTC	Over-the-Counter
bps	Basis Points	ppts	Percentage Points
CBN	Central Bank of Nigeria	QoQ	Quarter-on-Quarter
CP	Commercial Paper	Repo	Repurchase Agreement
DMO	Debt Management Office	T.bills	Treasury Bills
FCY	Foreign Currency	trn	Trillion
FGN	Federal Government of Nigeria	US	The United States of America
FIC	Fixed Income and Currencies	USD	US Dollar
FX	Foreign Exchange	Y	Year
H1	First Half of the Year Under Consideration	YoY	Year-on-Year
I&E FX Window or I&E	Investors' and Exporters' Foreign Exchange Window	YTD	Year-to-Date
LCY	Local Currency		
M	Month		
mm	Million		
MM	Money Market		
MoM	Month-on-Month		
N/A	Not Applicable		
NBS	National Bureau of Statistics		
NV	Notional Value		
OMO	Open Market Operations		
O/N	Overnight		
OPR	Open Repos		

Sources:

FMDO Securities Exchange Limited, DMO, CBN, NBS

Primary Market

Sovereign Securities

The DMO sold T.bills valued at ₦544.87bn across its auctions in June 2022. It exceeded the amount offered (₦383.29bn) indicating the sustained demand for T.bills, and also represents a 75.00% (₦233.52bn) MoM increase in T.bills sold relative to May 2022 (₦311.35bn).

Similarly, the DMO reopened two (2) 10Y and one (1) 20Y FGN Bond issues in June 2022, selling FGN Bonds worth ₦226.12bn (*exceeding the total amount of FGN Bonds offered¹ by ₦1.12bn*). However, total value of FGN Bond issued decreased MoM by 40.24% (₦152.29bn) relative to May 2022 figures.

In June 2022, the CBN issued OMO bills worth ₦40.00bn to banks and eligible investors.

Treasury Bills Discount Rates in June 2022

91-day – 2.46%
2.12% (May. '22) ▲

182-day – 3.81%
3.45% (May. '22) ▲

364-day – 6.19%
5.60% (May. '22) ▲

FGN Bond Coupon Rates in June 2022

10Y – 11.30%
11.23% (May. '22) ▲

20Y – 13.15%
13.00% (May. '22) ▲

Chart 1: Trend in Average T.bills Discount Rate (%)

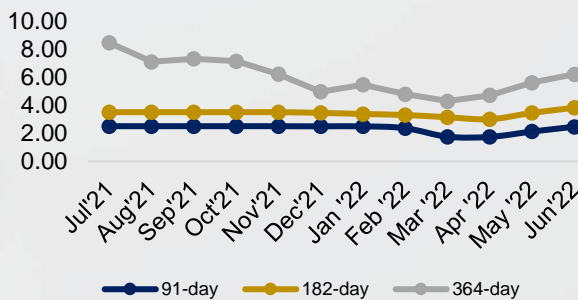


Chart 2: Trend in Average OMO Bills Discount Rate (%)

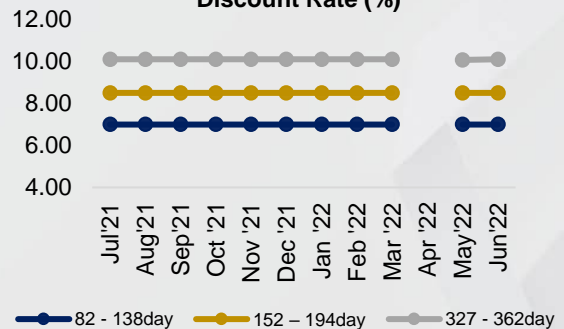


Table 1: Amount Sold (₦'bn)

Product	Jul. '21	Aug. '21	Sep. '21	Oct. '21	Nov. '21	Dec. '21	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22	Jun '22
T.Bills	415.24	463.66	480.80	422.28	2,294.90	112.36	281.30	472.97	410.72	289.09	311.35	544.87
OMO Bills	37.00	60.00	100.00	99.00	80.00	130.00	130.00	270.00	170.00	0.00	180.01	40.00
FGN Bonds	241.97	260.09	277.05	192.76	225.25	99.99	170.64	415.42	297.01	348.58	378.41	226.12

Table 2: End Outstanding Volume (₦'bn)

Product	Jul. '21	Aug. '21	Sep. '21	Oct. '21	Nov. '21	Dec. '21	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22	Jun '22
T.Bills	3,379.56	3,418.34	3,493.21	3,643.79	3,570.40	3,570.40	3,860.48	4,120.15	4,408.16	4,435.02	4,465.85	4,504.79
OMO Bills	2,470.29	2,399.79	2,279.79	2,051.79	1,863.69	1,863.69	1,460.69	940.95	758.95	850.00	770.00	810.00
FGN Bonds	11,800.46	12,061.18	12,337.59	12,530.96	12,755.68	12,855.56	12,420.33	12,835.77	13,135.32	13,483.27	13,863.55	14,089.34

Notes:

1 – Amount Offered in June 2022 was ₦225.00bn

Primary Market

Non-Sovereign Securities

Total value of corporate bonds listed on FMDQ Exchange in June 2022 was ₦38.00bn representing a 280.00% (₦28.00bn) MoM increase from the value of corporate bonds listed in May 2022. Corporate bond listing emanated from two (2) issuers in the Quick Service Restaurant and Agricultural sectors.

Similarly, total value of CPs quoted on FMDQ Exchange in June 2022 was ₦40.85bn, representing a MoM decrease of 75.46% (₦125.63bn) from the value of CPs quoted in May 2022. Quoted CPs were issued by institutions from various sectors including Financial Services (2), Consumer Goods (2), Commodities Trading (2), Agriculture (1) and Real Estate (1), sectors.

In June 2022, total value of outstanding corporate bonds and CPs increased MoM by 3.49% (₦35.10bn) and 7.06% (₦34.19bn) to ₦1,039.70bn and ₦518.80bn respectively. (See Table 4)

Average Coupon Rates for
Corporate Bonds in June
2022

7Y¹ – 13.05%

Average Discount Rate for
Quoted CPs in June 2022

214 days¹ – 11.57%
232 days¹ – 10.37%▲
(May. '22)

Chart 3: Average Discount Rate for Quoted CPs (%) vs Tenor (No. of Days)



Table 3: Listings/Quotation Size (₦'bn)

Product	Jul. '21	Aug. '21	Sep. '21	Oct. '21	Nov. '21*	Dec. '21	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22	Jun '22
Corporate Bonds	41.33	50.00	0.00	110.00	3.00	1.25	0.00	92.50	45.30	0.00	10.00	38.00
CPs	16.40	70.09	14.80	9.83	0.00	48.54	5.52	97.82	72.06	120.95	166.48	40.85

Table 4: Total Outstanding Value (₦'bn)

Product	Jul. '21	Aug. '21	Sep. '21	Oct. '21	Nov. '21	Dec. '21	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22	Jun '22
Corporate Bonds	776.71	838.71	831.24	939.86	906.17	904.29	901.25	993.57	1,026.15	1,024.69	1,004.60	1,039.70
CPs	291.39	317.48	283.29	293.31	253.81	224.22	168.99	232.89	283.75	311.07	484.61	518.80

Notes:

1 – Average Tenors for the Period * No CP was quoted in the respective months

FMDQ Exchange Financial Markets Monthly Report | June 2022

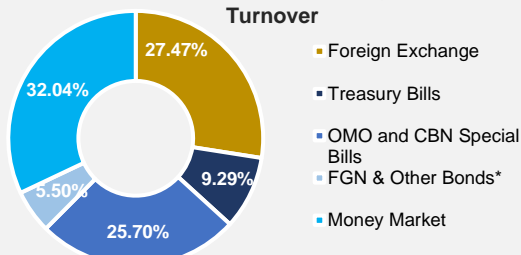
Secondary Market

Market Turnover by Products

Secondary market turnover on FMDQ Exchange in June 2022 was ₦18.20trn, representing a MoM increase of 18.31% (₦2.82trn) and a YoY increase of 18.87% (₦2.89trn), respectively.

Money Market and FX transactions dominated secondary market activity in June 2022, with both jointly accounting for 59.51% of the total secondary market turnover. (See Chart 5)

Chart 5: Contribution to FMDQ Markets Turnover



Notes: *Other Bonds include Agency, Sub-national, Corporate, Supranational Bonds & Promissory Notes

Chart 4: FMDQ Markets Turnover (₦'trn)

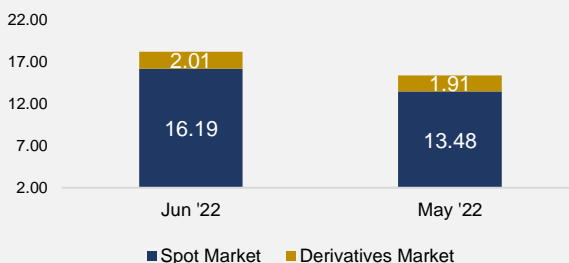
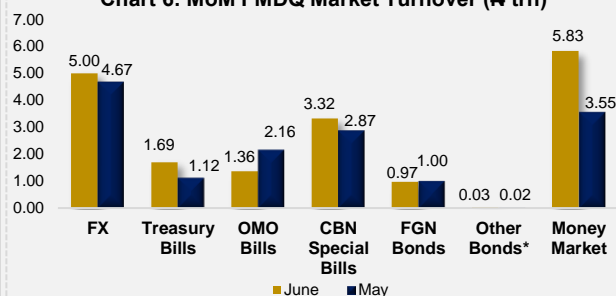


Chart 6: MoM FMDQ Market Turnover (₦'trn)



Spot Market

Total spot market turnover for all products traded in the secondary market was ₦16.19trn in June 2022, representing a MoM increase of 20.10% (₦2.71trn) from the turnover recorded in May 2022.

The MoM increase in total spot market turnover was driven mainly by the 64.23% (₦2.28trn) increase in money market (MM) turnover, as well as the 8.30% (₦0.23trn) and 2.79% (₦0.20trn) increases in FX and FI market segments turnover, respectively.

The increase in MM turnover was driven mainly by the MoM increase in Repos/Buy-Backs by 62.79% (₦2.19trn), while the MoM uptick in FI market segment turnover was driven by MoM increases in T.Bills, CBN Special Bills and Other Bonds* turnover by a combined 25.68% (₦1.03trn), despite the 36.99% (₦0.80trn) and 2.84% (₦0.03trn) decrease in OMO bills and FGN Bonds respectively.

Chart 7: Spot Market Turnover and Percentage Contribution

FX Market

₦2.99trn

₦2.76trn (May '22)

▶ 18.45%

Fixed Income Market

₦7.37trn

₦7.17trn (May '22)

▶ 45.53%

Money Market

₦5.83trn

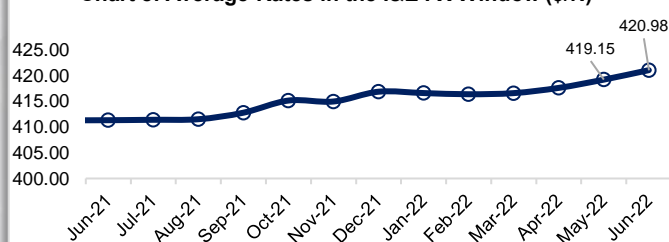
₦3.55trn (May '22)

▶ 36.02%

Spot FX Market

FX spot market turnover was ₦2.99trn (\$7.10bn) in June 2022, representing a MoM increase of 8.30% (₦0.23trn) from the turnover recorded in May 2022 (₦2.76trn).

Chart 8: Average Rates in the I&E FX Window (\$/₦)



In the FX Market, the Naira depreciated against the US Dollar, with the exchange rate (\$/₦) increasing by 0.44% (\$/₦1.83) to close at an average of \$/₦420.98 in June 2022 from \$/₦419.15 recorded in May 2022. (See Chart 8)

Further, exchange rate volatility increased in June 2022 compared to May 2022 as the Naira traded within an exchange rate range of \$/₦419.00 - \$/₦425.50 in June 2022 compared to \$/₦417.00 - \$/₦421.50 recorded in May 2022.

Spot Fixed Income Market

FI market turnover was ₦7.37trn in June 2022, representing a MoM increase of 2.79% (₦0.20trn) from the turnover recorded in May 2022 (₦7.17trn). The MoM increase was driven by the increase in T.bills and CBN Special Bills turnover by ₦1.07trn, and offsetting the MoM decrease in turnover for OMO Bills and FGN Bonds. (See Chart 9).

CBN Special Bills were the most traded FI securities, accounting for 45.05% of the total FI turnover in June 2022.

Chart 9: Fixed Income Market Turnover (₦trn)

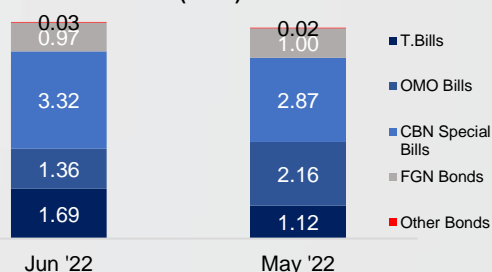


Chart 10: Trend in Trading Intensity

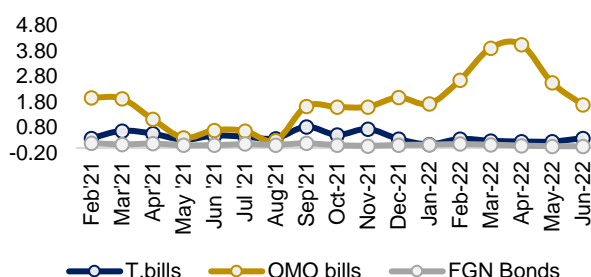
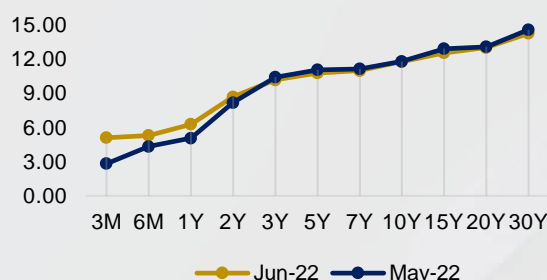


Chart 11: Sovereign Yield Curve (%)



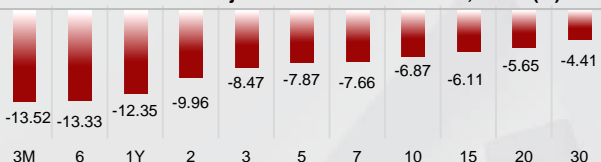
T.bills within the >6M – 12M tenor range were the most traded sovereign debt securities, accounting for 32.31% (₦0.86trn) of turnover for sovereign debt securities, while FGN Bonds with term-to-maturity of >12M – 3Y were the most traded long-term sovereign debt securities, accounting for 6.37% (₦0.17trn) of total turnover for sovereign debt securities. (See table below)

T.bills			FGN Bonds						
Up to 3M	>3M - 6M	>6M - 12M	>12M - 3Y	>3Y - 5Y	>5Y - 10Y	>10Y - 15Y	>15Y - 20Y	>20Y	Total
0.43	0.40	0.86	0.17	0.26	0.15	0.15	0.16	0.08	2.66

In June 2022, the yield spread between the 3M and 30Y sovereign debt securities decreased by 2.59ppts to 9.11ppts, indicating a flattening of the sovereign yield curve. (See Chart 11)

Real (inflation-adjusted) yields remained negative across the yield curve in June 2022. (See Chart 12)

Chart 12: Inflation Adjusted Yields as at June 30, 2022* (%)



Spot Market – (Money Market)

Total turnover in the Money Market segment increased MoM by 64.26% (₦2.28trn) to ₦5.83trn in June 2022. The MoM increase was driven by the 143.04% (₦0.09trn) and 62.79% (₦2.19trn) increase in Unsecured Placement/Takings and Repos/Buy-backs turnover, respectively. (See Chart 13)

The average O/N rate and OPR rate (secured lending rate) increased by 1.87ppts and 1.93ppts respectively, to close at an average of 11.60% and 11.28% in June 2022. (See Chart 14)

Chart 13: Money Market Turnover (₦trn)

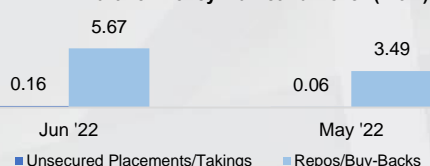
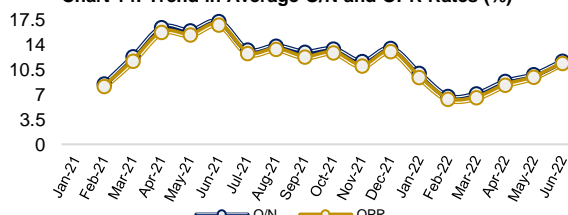


Chart 14: Trend in Average O/N and OPR Rates (%)



Notes:

*Adjusted with June 2022 inflation rate

Derivatives Market

Derivatives Market

Total turnover in the FX derivatives market segment was ₦2.01trn (\$4.79bn), representing a MoM increase of 5.51% (₦0.10trn) in June 2022.

The MoM increase in the FX derivatives turnover was driven by the 162.85% (₦0.17trn) increase in FX Swaps, offsetting the 58.54% (₦0.06trn) and 4.31% (₦0.01trn) decrease in FX Futures and FX Forwards, respectively.

FX Swaps

₦0.81trn (\$1.92bn)

40.14%

FX Forwards

₦0.91trn (\$2.18bn)

45.39%

FX Futures

₦0.29trn (\$0.69bn)

14.47%

Naira-settled OTC FX Futures Market

In the OTC FX Futures market, the near month contract¹ (NGUS JUN 29, 2022) expired and open positions with a total notional value (NV) of \$0.31bn were settled. A far month (60M) contract, NGUS JUN 30 2027 was introduced at a Futures rate of \$/₦632.60 representing the first increase in the far month contract for OTC FX Futures after being retained at \$/₦626.97 for six (6) consecutive months.

The total NV of open OTC FX Futures contracts as at June 30, 2022, stood at circa \$3.77bn² representing a MoM increase of 0.27% (\$0.01bn) and a YoY decrease of 11.29% (\$0.48bn) from its value as at May 31, 2022 and June 30, 2021, respectively.

Matured Contract

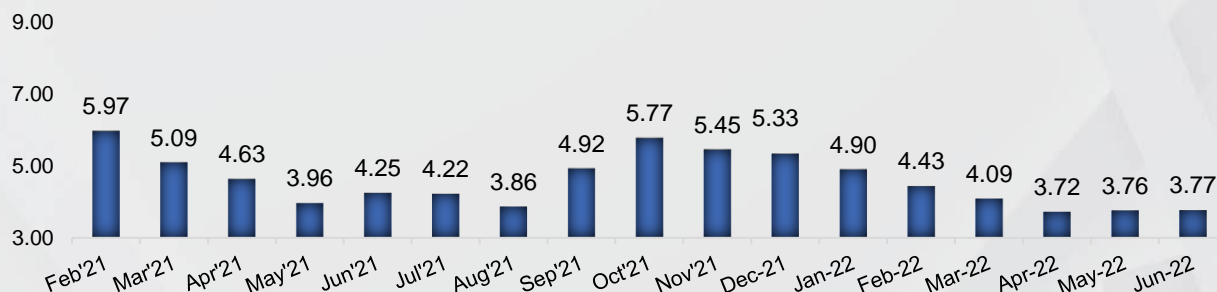
NGUS JUN 29, 2022
(\$/₦427.24)

New 60M Contract

NGUS JUN 30, 2027
(\$/₦632.60)

NV of Open Positions in
OTC FX Futures
Contracts –\$3.77bn

Chart 15: Trend in Open OTC FX Futures Contract Values (\$'bn)



The total NV of OTC FX Futures Contracts traded decreased by 53.48% (\$0.37bn) to \$0.32bn in June 2022 from \$0.68bn recorded in May 2022. In June 2022, the hedge concentration in the OTC FX Futures Market was within the 7 – 12M maturity bucket, accounting for 66.59% (\$0.21bn) of the total traded values across fifteen (15) of the twenty-seven (27) deals conducted in the period under review.

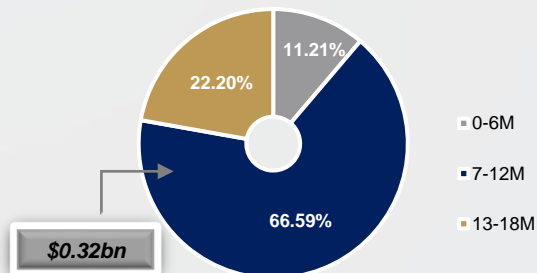
The NV of OTC FX Futures Contracts traded across short-dated contracts (0 – 12M) increased by 63.27% (\$0.10bn) to \$0.25bn while the NV of OTC FX Futures Contracts traded across long-dated contracts (13 – 60M) decreased by 86.73% (\$0.46bn) to \$0.07bn.

Notes:

1 – This refers to the OTC FX Futures Contract that is closest to its maturity date at any given time; 2 – The 11M contract, NGUS MAY 31, 2023, had the highest NV of open OTC FX Futures Contracts (\$0.68bn) as at June 30, 2022

Derivatives Market../2

Chart 16: Analysis of Traded OTC FX Futures Contracts by Tenor Ranges



Average OTC FX Futures Contract rates and Deliverable Forwards rates in June 2022 increased across all tenor buckets when compared to the previous month of May. The Average OTC FX Futures Contract rates on the 55 – 60M bucket recorded the highest depreciation. Likewise, the highest depreciation in the Deliverable Forwards market was recorded on the farther term - 12M contract.

Table 5: Average OTC FX Futures Contract Rates (\$/₪)

	0-6M	7-12M	13-18M	19-24M	25-30M	31-36M	37-42M	43-48M	49-54M	55-60M
Jun-22	434.14	445.25	461.74	482.36	503.54	525.19	547.95	571.51	596.29	621.92
May-22	431.48	441.65	457.63	478.07	499.06	520.51	543.07	566.42	590.97	616.38
Change	2.66 ↓	3.61 ↓	4.11 ↓	4.29 ↓	4.48 ↓	4.68 ↓	4.88 ↓	5.09 ↓	5.31 ↓	5.54 ↓

Table 6: Indicative Deliverable Forward Rates (\$/₪)

	1M	2M	3M	6M	12M
Jun-22	424.66	428.20	431.76	444.09	466.64
May-22	419.91	423.02	426.72	437.90	459.56
Change	4.75 ↓	5.18 ↓	5.04 ↓	6.19 ↓	7.08 ↓

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